SUNDAYS RIVER VALLEY MUNICIPALITY

PHAMBILI

DRAFT MTREF BUDGET FOR 2017/18 FINANCIAL YEAR

1. TABLE OF CONTENTS

PART 1- DRAFT ANNUAL BUDET

1.1 Mayors Report
1.2 Council Resolution
1.3The Budget Overview
1.4 Executive Summary
1.5 Operating Revenue Framework
1.6 Operating Expenditure Framework
1.7 Capital Expenditure

PART 2- SUPPORTING DOCUMENT

2.1 Overview of Annual Budget Process
2.2 Financial Modelling
2.3 Free Basic Services
2.4 Overview of Budget Related Policies
2.5 Overview of Budget Strategy and Assumptions
2.6 Overview of Budget Funding

Quality Certificate

ANNEXURES

1 Budgeted Financial Performance

2 Budgeted Capital Expenditure

3 Budgeted Financial Position'

4 Budgeted Cash flows

5 Draft Tariff Listing

6 National Treasury -Circular 86

7 Draft Service Standards

SUNDAY'S RIVER VALLEY LOCAL MAYORS BUDGET SPEECH

Honourable Speaker
Executive members
Councillors
Officials

I greet you all in the name of service delivery.

The 2016 Budget Policy Statement emphasised that the global recovery from the 2008 economic crisis remains precarious; therefore South Africa remains vulnerable to global financial volatility and rapid capital outflows.

Sundays River Valley municipality is not immune to the realities of continued recession. Higher inflation and weaker employment growth will impact on the ability of the municipality to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. The municipality will have to improve their efforts to limit non-priority spending and to implement stringent cost containment measures

Therefore it is critical for municipality to review how they conduct their business to ensure value for money is obtained in all expenditures as a conservative approach is applied for projecting revenue, that revenue administration systems are operating effectively and , that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

As we strive towards impacting rural livelihood for the better in local Municipality of Sunday's River Valley, amongst the compliance issues is the submission of the MTREF budget as prescribed in section 126 of the Local Government: Municipal Finance Management Act 56 of 2003.

I therefore submit 2017/18 Draft Budget. The Council remains committed in improving its service delivery even though our budget is limited as the municipality is grant dependant and hoping to meet the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.

In conclusion I would like to ensure our community that though the budget is limited but Sunday's River Valley municipality will remain committed in improving its service delivery. I also would like to express my appreciation to my fellow Council members, the Acting Municipal Manager, The Chief Financial Officer and all other staff for their support, cooperation and hard work during the preparation of the budget as well as IDP.

COUNCIL RESOLUTION

1. That in terms of the section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the Sundays River Valley Municipality for the financial year 2017/18; and indicative allocations for the two projected outer years 2018/19; and 2019/20; and the multi-year and single-year capital appropriations are approved as set-out in the following tables:

    1.1. Budgeted Financial performance (revenue and expenditure by municipal vote and standard classification);
    1.2. Budgeted Financial performance (revenue and expenditure by municipal vote);
    1.3. Budgeted Financial performance (revenue by source and expenditure by type); and
    1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

2. That the financial position, cash flow, cash backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:

    2.1. Budgeted Financial position;
    2.2. Budgeted Cash Flows;
    2.3. Cash backed reserves and accumulated surplus reconciliation;
    2.4. Asset management; and
    2.5. Basic service delivery measurement.

3. That in terms of Section 42(2(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by sources, are approved with effect from 1 July 2017.

4. That the draft budget be approved subject to the proposals made by the Mayor to be considered in the final budget.

1.3 THE BUDGET OVERVIEW

This section contains an Executive Summary of the Sunday's River Valley Local Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

1.4 EXECUTIVE SUMMARY

In compiling the draft budget for 2017/18, the application of sound financial management principles for the compilation of the SRVM financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities consideration was given to the national priorities as communicated through National Treasury circulars.

National Treasury's MFMA Circular No. 86 was used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the draft 2018 MTREF budget can be summarised as follows:

- Ongoing national and local economy difficulties
- Collection rate not being at the desired levels to ensure cash backed budget is approved
- The need to prioritise projects and expenditure within the existing resources given the continued cash flow challenges within the municipality
- The increased cost (above consumer inflation) of bulk electricity and water, is placing upwards pressure on the municipal service tariffs which is unfavourable for residents
- Implementation of SCOA overwhelmed the budgeting process as the conversion date is near and the budget has to be compliant with the mSCOA classification framework

The following budget principles and guidelines directly influenced the compilation of the draft annual budget of 2017/18:

- The 2016/17 Adjustment budget priorities
- The base line allocations contained in the Adjustment budget were adopted as upper limits for the new base line for the 2017/18 draft annual budget
- Tariff and property rates increase should be affordable, cover the cost of bulk services and not exceed consumer inflation except where there are price increase in inputs beyond the municipality's control
- There will be no budget allocated to national or provincial funded projects unless the grants to the municipality are gazetted in the Division of Revenue Act

- The funding constraints with regards to the low available funding for the Capital Budget through the Cash backed Reserve

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 draft budget:

	Adjustments Budget	Budget Year	Budget Year +1	Budget Year +2
	2016/17	2017/18	2018/19	2019/20
	R'000	R'000	R'000	R'000
Total Operating Revenue	223 858	200 393	213 930	228 285
Total Operating Expenditure	211 982	189 700	196 898	206 191
Surplus/(Deficit)	11 876	10 693	17 032	22 095
Total Capital Expenditure	46 369	42 667	37 572	38 808

Total operating revenue has decreased by 10.5 per cent or R23.5 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 6.7 and 6.7 per cent respectively, equating to a total revenue growth of R4.4 million over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R189.7 million and translates into a budgeted surplus of R10.7 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has decreased by 10.5 per cent in the 2017/18 budget and gradually increases by 3.4 and 4.7 per cent for each of the respective outer years of the MTREF.

The capital budget of the municipality has decreased by R3.7 million or by 8 per cent for the 2017/18 financial year when compared to the 2016/17 Adjustment Budget. A substantial portion of the capital budget will be funded from government grant transfers. The balance will be funded from internally generated funds provided all anticipated revenues are received.

1.5 OPERATING REVENUE FRAMEWORK

For the municipality to achieve its set targets in terms of service delivery it needs to generate sufficient revenue. Financial state of affairs of the municipality need difficult decisions to be made in terms of tariff increases and balancing expenditure against planned realistic anticipated revenues. Efficient and effective revenue management is thus critical.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Growth in the revenue base;
- Efficient revenue management, aiming to improve annual collection rate for property rates and service charges, after discounting the Free Basic Services (FBS) subsidies;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Ensuring fully cost reflective tariffs for trading services;
- The Property Rates Policy;
- The municipality's Indigent Policy and the rendering of Free Basic Services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.

The above table is a summary of the 2017/18 MTREF (classified by main revenue source):

EC106 Sundays River Valley Munincipality - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	13 933	28 889	39 262	38 201	42 802	42 802	42 802	35 673	38 025	40 543
Service charges - electricity revenue	2	14 495	17 609	17 652	13 098	17 268	17 268	17 268	15 869	16 805	17 779
Service charges - water revenue	2	20 019	25 547	12 417	17 978	17 978	17 978	17 978	12 293	13 019	13 774
Service charges - sanitation revenue	2	3 519	4 337	3 234	4 413	4 821	4 821	4 821	3 183	3 371	3 567
Service charges - refuse revenue	2	7 197	7 688	6 114	8 315	7 780	7 780	7 780	5 098	5 389	5 690
Service charges - other											
Rental of facilities and equipment		128	136	23	27	30	30	30	36	38	40
Interest earned - external investments		549	470	1 382	1 533	1 623	1 623	1 623	1 653	1 747	1 845
Interest earned - outstanding debtors		7 058	10 501		5 000	10 251	10 251	10 251	19 609	20 744	21 924
Dividends received					-		-	-			
Fines, penalties and forfeits		2 012	3 671	2 869	4 240	3 011	3 011	3 011	3 172	3 287	3 431
Licences and permits		1 989	1 359	1 889	1 644	2 171	2 171	2 171	2 647	2 913	2 935
Agency services		1 121	1 520	2 083	1 728	2 361	2 361	2 361	2 715	2 986	3 344
Transfers and subsidies		49 077	53 881	62 743	67 055	66 342	66 342	66 342	70 769	77 606	83 987
Other revenue	2	406	15 531	4 626	7 516	6 532	6 532	6 532	646	686	718
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		121 503	171 139	154 294	170 748	182 972	182 972	182 972	173 363	186 596	199 577

Explanatory Notes

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality In the 2016/17 financial year, revenue from rates and services charges totalled R42.8 million. This decreases to R35.6 million in 2017/18, and will grow at an average annual rate of 5.6 per cent in the respective outer financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity

Transfers recognised as operational receipts is the second largest revenue source totalling 41 per cent or R71 million rand and increases to 84 million by 2019/20. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Interest earned for outstanding debtors has been budgeted using the adjusted 2016/17 budget baseline. Furthermore it is envisaged and it would be best practice for Council to write off outstanding debt where the likelihood of generating this income is low i.e. indigent households. These foreseen write off, will affect the final interest earned amount in the final budget and become more realistic at the end.

Table 4 Operating Transfers and Grant Receipts

MONETARY ALLOCATIONS				
Grant	**Funder**	**2017/18**	**2018/19**	**2019/20**
Equitable share	National Treasury	62 226 000.0	3 298 000.0	74 162 000.0
Equitable share - Councillor & ward committee support	National Treasury	3 141 000.0	3 298 000.0	3 456 000.0
Finance Managemeng grant	National Treasury	2 345 000.0	2 600 000.0	2 860 000.0
TOTAL	NATIONAL	67 712 000.0	9 196 000.0	80 478 000.0
Library	Local Gov	1 200 000.0	1 200 000.0	1 200 000.0
TOTAL	LOCAL GOV	1 200 000.0	1 200 000.0	1 200 000.0
Environmental health	SBDM	1 303 910.0	1 316 949.1	1 448 644.0
Fire	SBDM	500 000.0	500 000.0	500 000.0
TOTAL	DISTRICT	1 678 910.0	1 691 949.1	1 948 644.0
IN-KIND ALLOCATIONS				
National Electrification programme (eskom) grant	National Treasury	8 526 000.0	8 526 000.0	9 020 000.0
RBIG	National Treasury	6 000 000.0	11 000 000.0	2 000 000.0
MSIG	National Treasury	788 000.0		2 000 000.0

Tariff setting is a pivotal part of budget compilation. National treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Sundays River Valley has maintained an increase of 6.4% in line with the CPI but this is not a good measure for the municipality as the gap between cost drivers and tariff levies steadily widens.

The percentage increases of both Eskom and Water bulk tariffs are relatively beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

Annexure is attached for the proposed tariff increase.

1.6 OPERATING EXPENDITURE FRAMEWORK

The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- The balanced budget approach by limiting operating expenditure to the operating revenue;
- Strict adherence to the principle of "no budget allocations without a project implementation plan"; and
- Operational gains and efficiencies will be directed to funding the capital budget and other core services

The following table is a high level summary of the 2016/17 draft budget and MTREF (classified by main type of operating expenditure)

Table 5 Summary of Operating Expenditure by standard classification framework

Description	Ref	2013/14	2014/15	2015/16	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type											
Employee related costs	2	38 277	41 132	47 556	53 418	52 721	52 721	52 721	51 559	55 015	58 652
Remuneration of councillors		5 165	5 369	6 110	6 310	6 240	6 240	6 240	5 934	6 331	6 749
Debt impairment	3	42 372	42 839	11 608	34 967	16 967	16 967	16 967	16 967	16 967	16 967
Depreciation & asset impairment	2	25 386	28 989	26 251	35 000	30 000	30 000	30 000	30 000	30 000	30 000
Finance charges		2 173	2 849	2 084	2 644	2 644	2 644	2 644	3 359	3 445	3 444
Bulk purchases	2	14 734	21 491	20 013	20 495	20 588	20 588	20 588	22 167	23 838	25 632
Other materials	8	6 380	2 121	3 993	6 304	8 422	8 422	8 422			
Contracted services		–	–	6 701	4 026	10 025	10 025	10 025	28 769	29 151	30 606
Transfers and subsidies		–	–	–	17 970	28 624	28 624	28 624	–	–	–
Other expenditure	4, 5	35 785	39 882	43 115	35 970	35 751	35 751	35 751	30 946	32 150	34 142
Loss on disposal of PPE		2 5[illegible]	906	445							
Total Expenditure		172 785	185 576	167 877	217 103	211 982	211 982	211 982	189 700	196 898	206 191

Employee Costs

The budgeted allocation for employee related costs for the 2017/18 financial year totals R52 million, which equals 27 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.6 per cent for the 2016/17 financial year. An annual increase of CPI + 1 per cent has been included in the two outer years of the MTREF.

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipal budget.

Debt Impairment

The provision of debt impairment for the 2017/18 financial year equates to R16.9 million based previous budget assumptions as the annual collection rate has not been calculated appropriately. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Depreciation and Impairment

Provision for depreciation and asset impairment has been informed by the Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R30 million for the 2017/18 financial year based on 2016/17 final budget.

Bulk Purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom and Water Affairs. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

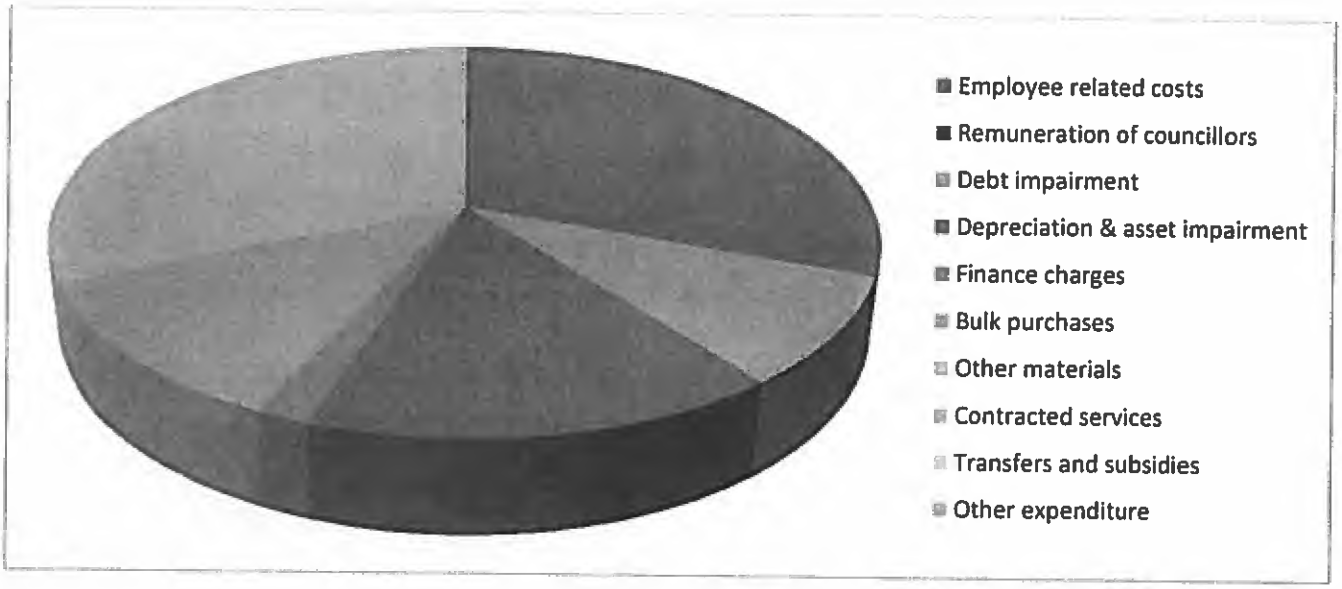
Finance Charges

Finance charges consist primarily of the repayment of interest on outstanding creditors. Finance charges amount to R3.3 million for the 2017/18 financial year. It should be noted that municipalities are encourage to maintain and meet their obligations to creditors within the prescribed timeframes. This area of expenditure should be monitored and avoided at all costs.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. This results from budgeting for all repayments thus decreasing our creditor thus ensuring sound financial management in the future.

The graph below reflects the expenditure components of the budgeted statement of financial performance



1.6 CAPITAL EXPENDITURE

The Municipal Capital Budget is R42.7 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Upgrading of Valencia Water Supply- R12 629 208
- Upgrading of Paterson Waste Water Treatment Works- R4 468 009
- Upgrading of Local Distributor Roads- Paterson Link Road-R6 723462
- Rehabilitation of Bulk Pipeline in Kirkwood, Enon, Bersheba, Addo and Paterson- R517 089
- Upgrading of Gravel Roads- Emsengeni Bulk Taxi Route- R500 000

Total value of new assets to be acquired represent 22 per cent or R5.3 million of the total capital budget while asset renewal equates to 88 per cent or R37.4 million.

Annexure 1- Budgeted Financial Performance

EC106 Sundays River Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	13 933	28 889	39 262	38 201	42 802	42 802	42 802	35 673	38 025	40 543
Service charges - electricity revenue	2	14 495	17 609	17 652	13 098	17 268	17 268	17 268	15 869	16 805	17 779
Service charges - water revenue	2	20 019	25 547	12 417	17 978	17 978	17 978	17 978	12 293	13 019	13 774
Service charges - sanitation revenue	2	3 519	4 337	3 234	4 413	4 821	4 821	4 821	3 183	3 371	3 567
Service charges - refuse revenue	2	7 197	7 688	6 114	8 315	7 780	7 780	7 780	5 098	5 389	5 690
Service charges - other											
Rental of facilities and equipment		128	136	23	27	30	30	30	36	38	40
Interest earned - external investments		549	470	1 382	1 533	1 623	1 623	1 623	1 653	1 747	1 845
Interest earned - outstanding debtors		7 058	10 501		5 000	10 251	10 251	10 251	19 609	20 744	21 924
Dividends received					–		–	–			
Fines, penalties and forfeits		2 012	3 671	2 869	4 240	3 011	3 011	3 011	3 172	3 267	3 431
Licences and permits		1 989	1 359	1 889	1 644	2 171	2 171	2 171	2 647	2 913	2 935
Agency services		1 121	1 520	2 083	1 728	2 361	2 361	2 361	2 715	2 986	3 344
Transfers and subsidies		49 077	53 881	62 743	67 055	66 342	66 342	66 342	70 769	77 606	83 987
Other revenue	2	406	15 531	4 626	7 516	6 532	6 532	6 532	646	686	718
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		121 503	171 139	154 294	170 748	182 972	182 972	182 972	173 363	186 596	199 577
Expenditure By Type											
Employee related costs	2	38 277	41 132	47 556	53 418	52 721	52 721	52 721	51 559	55 015	58 652
Remuneration of councillors		5 165	5 369	6 110	6 310	6 240	6 240	6 240	5 934	6 331	6 749
Debt impairment	3	42 372	42 839	11 608	34 967	16 967	16 967	16 967	16 967	16 967	16 967
Depreciation & asset impairment	2	25 386	28 989	26 251	35 000	30 000	30 000	30 000	30 000	30 000	30 000
Finance charges		2 173	2 849	2 084	2 644	2 644	2 644	2 644	3 359	3 445	3 444
Bulk purchases	2	14 734	21 491	20 013	20 495	20 588	20 588	20 588	22 167	23 838	25 632
Other materials	8	6 380	2 121	3 993	6 304	8 422	8 422	8 422			
Contracted services		–	–	6 701	4 026	10 025	10 025	10 025	28 769	29 151	30 606
Transfers and subsidies		–	–	–	17 970	28 624	28 624	28 624	–	–	–
Other expenditure	4, 5	35 785	39 882	43 115	35 970	35 751	35 751	35 751	30 946	32 150	34 142
Loss on disposal of PPE		2 511	906	445							
Total Expenditure		172 785	185 576	167 877	217 103	211 982	211 982	211 982	189 700	196 898	206 191
Surplus/(Deficit)		(51 282)	(14 438)	(13 583)	(46 355)	(29 010)	(29 010)	(29 010)	(16 337)	(10 302)	(6 614)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		22 841	36 377	32 294	33 446	40 886	40 886	40 886	27 000	27 302	28 676
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(28 441)	21 939	18 711	(12 909)	11 876	11 876	11 876	10 663	17 000	22 062
Taxation											
Surplus/(Deficit) after taxation		(28 441)	21 939	18 711	(12 909)	11 876	11 876	11 876	10 663	17 000	22 062
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(28 441)	21 939	18 711	(12 909)	11 876	11 876	11 876	10 663	17 000	22 062
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(28 441)	21 939	18 711	(12 909)	11 876	11 876	11 876	10 663	17 000	22 062

Annexure 2- Budgeted Capital Expenditure

EC106 Sundays River Valley - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Excutive and Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 3 - Budget and Treasury		–	–	–	–	–	–	–	–	–	–
Vote 4 - Corporate Service		–	–	–	–	–	–	–	–	–	–
Vote 5 - Community Service		–	–	–	–	–	–	–	–	–	–
Vote 6 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	–	–	–	–	–	–	–	–	–
Single-year expenditure to be appropriated	2										
Vote 1 - Excutive and Council		–	–	–	100	100	100	100	380	–	–
Vote 2 - Municipal Manager		–	1 832	–	12 334	1 084	1 084	1 084	–	–	–
Vote 3 - Budget and Treasury		1 499	3 560	365	260	60	60	60	150	–	–
Vote 4 - Corporate Service		2 434	2 582	1 051	2 869	2 084	2 084	2 084	417	–	–
Vote 5 - Community Service		8 985	2 498	5 792	4 660	5 883	5 883	5 883	4 320	–	–
Vote 6 - Technical Services		15 647	32 950	26 271	32 575	37 158	37 158	37 158	37 400	37 572	38 808
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		28 565	43 421	33 479	52 797	46 369	46 369	46 369	42 667	37 572	38 808
Total Capital Expenditure - Vote		28 565	43 421	33 479	52 797	46 369	46 369	46 369	42 667	37 572	38 808
Capital Expenditure - Functional											
Governance and administration		3 933	7 973	1 416	15 562	3 328	3 328	3 328	947	–	–
Executive and council		–	1 832	–	12 434	1 184	1 184	1 184	380		
Finance and administration		3 933	6 141	1 416	3 129	2 144	2 144	2 144	567		
Internal audit											
Community and public safety		5 003	2 498	5 792	4 360	5 301	5 301	5 301	4 320	–	–
Community and social services		1 051			315	365	365	365	4 320		
Sport and recreation		3 953	1 000	5 792	1 250	1 951	1 951	1 951			
Public safety			1 498		2 795	2 985	2 985	2 985			
Housing											
Health											
Economic and environmental services		4 923	3 926	17 921	10 912	14 922	14 922	14 922	–	–	–
Planning and development											
Road transport		4 923	3 926	17 921	10 912	14 922	14 922	14 922			
Environmental protection											
Trading services		14 705	29 025	8 350	21 963	22 817	22 817	22 817	–	–	–
Energy sources		5 263	2 727	6 614	10 085	10 750	10 750	10 750			
Water management		2 565	6 719	1 505	2 374	1 858	1 858	1 858			
Waste water management		2 896	19 578	232	9 204	9 628	9 628	9 628			
Waste management		3 982	–		300	581	581	581			
Other									37 400	37 572	38 808
Total Capital Expenditure - Functional	3	28 565	43 421	33 479	52 797	46 369	46 369	46 369	42 667	37 572	38 808
Funded by:											
National Government		7 278	33 950	30 905	33 160	39 530	39 530	39 530	37 400	37 572	38 808
Provincial Government											
District Municipality											
Other transfers and grants									–		
Transfers recognised - capital	4	7 278	33 950	30 905	33 160	39 530	39 530	39 530	37 400	37 572	38 808
Public contributions & donations	5	19 504									
Borrowing	6	1 470	2 582								
Internally generated funds		314	6 889	2 574	19 637	6 839	6 839	6 839	5 267		
Total Capital Funding	7	28 565	43 421	33 479	52 797	46 369	46 369	46 369	42 667	37 572	38 808

NATIONAL TREASURY

MFMA Circular No. 86

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2017/18 MTREF

CONTENTS

1. THE SOUTH AFRICAN ECONOMY AND INFLATION TARGETS 2
2. KEY FOCUS AREAS FOR THE 2017/18 BUDGET PROCESS 3
   - 2.1 LOCAL GOVERNMENT CONDITIONAL GRANTS AND ADDITIONAL ALLOCATIONS 3
   - 2.2 MUNICIPAL STANDARD CHART OF ACCOUNTS (*m*SCOA) 4
   - 2.3 *m*SCOA TRAINING FOR MUNICIPAL OFFICIALS 5
3. THE REVENUE BUDGET 5
   - 3.1 ESKOM BULK TARIFF INCREASES 5
4. FUNDING CHOICES AND MANAGEMENT ISSUES 6
   - 4.1 EMPLOYEE RELATED COSTS 6
   - 4.2 REMUNERATION OF COUNCILORS 6
5. CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES 7
   - 5.1 UNSPENT CONDITIONAL GRANTS FOR 2016/17 7
6. THE MUNICIPAL BUDGET AND REPORTING REGULATIONS 7
   - 6.1 ASSISTANCE WITH THE COMPILATION OF BUDGETS 7
7. BUDGET PROCESS AND SUBMISSIONS FOR THE 2017/18 MTREF 8
   - 7.1 BUDGETING FOR THE AUDITED YEARS ON THE A SCHEDULE (*m*SCOA) 8
   - 7.2 SUBMITTING BUDGET DOCUMENTATION AND SCHEDULES FOR 2017/18 MTREF 9
   - 7.3 BUDGET REFORM RETURNS TO THE LOCAL GOVERNMENT DATABASE FOR PUBLICATION 10
   - 7.4 PUBLICATION OF BUDGETS ON MUNICIPAL WEBSITES 10
   - 7.5 THE USE OF PRIVATE EMAILS FOR BUSINESS PURPOSES 10

ANNEXURE A – CHANGES TO SCHEDULE A1 – THE 'EXCEL FORMATS' 12

Introduction

This budget circular is a follow-up to the one issued in December 2016. It guides municipalities with their preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. Among the objectives of this circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate. The key focus of this circular is the implementation of municipal Standard Chart of Accounts (*m*SCOA) and the grant allocations as per the 2017 Budget Review.

1. The South African economy and inflation targets

The 2017 Budget Review emphasised that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with to 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

The unemployment rate was 26.5 per cent in the fourth quarter of 2016. In aggregate mining and manufacturing employment declined by 80 306 jobs in 2016 while the services sector created 119 189 jobs during the same period. The economy continues to create opportunities for semi-skilled and skilled workers, and to shed unskilled jobs, reinforcing poverty and inequality and widening the wage gap.

These economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised for projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2017/18 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2015 - 2019

Fiscal year	2016/17	2017/18	2018/19	2019/20
	Estimate		Forecast	
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%	5.6%
Real GDP growth	0.5%	1.3%	2.0%	2.2%

Source: 2017 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2017/18 budget process

2.1 Local government conditional grants and additional allocations

The *2017 Budget Review* provides for R366.3 billion to be transferred directly to local government and a further R23 billion allocated to indirect grants for the 2017 MTREF. Direct transfers to local government over the medium term account for 9.1 per cent of national government's non-interest expenditure. When adding indirect transfers, the total spending for local government increases to 9.7 per cent of national non-interest expenditure.

Direct transfers to local government grow at an average rate of 8 per cent per annum over the 2017 MTEF. This strong growth in transfers to local government recognises the importance of local government functions and associated rising costs of municipal service delivery. Similarly, minor reductions are made to the larger conditional grants so that funds are prioritised in favour of other government priorities. Grant administrators and municipalities are encouraged to maximise the value derived from spending so that service delivery is not compromised.

Conditional grant funding targets delivery of national government's service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below:
http://ntintranet/documents/national%20budget/2017/

Changes to local government allocations

- The *local government equitable share* will grow by R3.3 billion over the MTEF period to assist municipalities with the rising costs of providing free basic services. An additional R1 billion will be added in 2018/19 and R2.3 billion in 2019/20 which further grows the 2016 Division of Revenue provision of R1.5 billion in 2017/18 and R3 billion in 2018/19. The formula, which is informed by the 2011 Census data, will be updated over the MTEF with data from the 2016 Community Survey. This data will be phased in over the MTEF period to ensure a smooth transition of the impact on the allocations to municipalities.

- Minor reductions are made to a mix of urban and rural grants, including, the *public transport network grant*, the *water services infrastructure grant*, the *municipal infrastructure grant* and the *urban settlements development grant* so that resources are available to fund other government priorities. In spite of the decreased allocations each of these grants will grow by at least 5 per cent annually over the 2017 MTEF period.

- Funds reprioritised from:
  - the *expanded public works programme integrated grant* to municipalities to fund the expanded mandate of the Commission for Conciliation, Mediation and Arbitration (as the commission will be providing its services to additional sectors);
  - the indirect *integrated national electrification programme (Eskom) grant*, mainly to fund the management of nuclear waste; and

- o the indirect *regional bulk infrastructure grant* of which small amounts will be utilised to augment funding for water catchment management agencies.

- There is intent to introduce a new funding model for district municipalities upon completion of the Department of Cooperative Governance's review of their functional role. In 2017/18, adjustments are made to the *RSC/ JSB levies replacement grant* to redistribute funds to the 13 district municipalities currently receiving less than R40 million per year from this grant. The growth rates of the 10 district municipalities with the largest allocations are reduced to fund the increases to the other districts. They will receive two-thirds of their original growth rate in 2017/18 and one-third of their original growth rate in 2018/19.

  In the outer year of the MTEF period, the grant increases by 8.8 per cent a year for district municipalities that are authorised to undertake water and sanitation services and 2.9 per cent for district municipalities that are not such authorities. The different rates recognise the various service delivery responsibilities of these district municipalities and the fact that the allocations to unauthorised municipalities have an average growth rate below inflation.

The Department of Cooperative Governance, which administers the *municipal infrastructure grant*, continues to implement measures to strengthen the management and implementation of the grant. Changes to be introduced in 2017/18 include the circulation of:

- a guideline on how to plan, assess and implement refurbishment projects funded by the grant. The rules of the grant were changed in 2015/16 to allow this funding to be utilised for refurbishment however there have not been many projects of this nature since then. The new guideline will clarify the requirements for accessing this refurbishment funding.

- a revised guideline on the use of project management unit funds. Municipalities are allowed to use up to 5 per cent of their allocations from this grant for a project management unit. Grant conditions that require municipalities to submit business plans for their project management units will also allow the Department of Cooperative Governance to ensure that municipalities adhere to the guideline's best practices.

2.2 Municipal Standard Chart of Accounts (*m*SCOA)[1]

The *m*SCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

Technically, for a municipality to be regarded as *m*SCOA compliant on 1 July 2017 it must be able to transact across all the *m*SCOA segments and its core system and all sub-systems (including that of its municipal entities) must seamlessly integrate. Among the lessons learnt from the pilot municipalities, stems the recommendation that a municipality's point of departure for achieving system integration is that it prioritises the maximum integration potential of its core system so that it integrates with the Debtors main sub-system (including cash management and receipting), Payroll and the Assets Management sub-system modules. Furthermore, all municipalities must accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities into the core financial system as these documents create a point of departure for the transactional environment come 1 July 2017.

[1] The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

This means that the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the *m*SCOA classification framework.

In summary, *m*SCOA compliance in respect of the tabled 2017/18 MTREF and IDP submission means that the data string uploaded to the LG Database portal must meet the following requirements:

- No mapping;
- Correct use of all segments;
- Seamless integration of core system with sub-systems (municipalities must ensure the integration of the Debtors, Payroll and Asset sub-systems); and
- Integrated budgeting facility directly linked to the IDP and SDBIP facilities on the system.

It is imperative that municipalities are familiar with the addendum to MFMA Circular No. 80 which describes what constitutes *m*SCOA compliance by 1 July 2017. National Treasury has a dedicated website to support municipalities with their *m*SCOA readiness efforts.

For more information on *m*SCOA and other benefits of the reform, visit: http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx

2.3 *m*SCOA training for municipal officials

Municipalities are advised not to approach the market to procure services for *m*SCOA training as National Treasury has partnered with the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO, previously IMFO) to undertake *m*SCOA training.

3. The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore municipalities are now required to ***justify all increases in excess of the 6.4 per cent*** projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

Where revenue collection is not well planned or managed, or where tariffs are not properly set, serious financial problems can arise. Eskom's recent move to cut off power supply to municipalities that have not paid electricity bills is an indication of what can happen when municipalities fail to manage this risk.

3.1 Eskom bulk tariff increases

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA), issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year. NERSA's consultation paper on tariff benchmarking indicates that this will result in a 0.31 per cent increase in bulk tariffs to municipalities (the difference is due to the different financial years of Eskom and municipalities).

This is significantly lower than the 8 per cent tariff increase provided for in the current Multi-Year Price Determination as a result of higher increases approved in preceding years (12.7

per cent for 2015/16 and 9.4 per cent for 2016/17). The statement also says that, *"Nothing prevents Eskom from considering any possible cash flow risks and the implications thereof on its financial sustainability and make an application to NERSA for relief in this regard should it consider it necessary."* The complete media statement can be accessed at www.nersa.org.za.

Section 42 of the MFMA requires that bulk price increases charged to municipalities by an organ of state must be tabled by 15 March if they are to be effected as from 1 July of the same year, unless the Minister of Finance grants an extension. The Minister of Finance, at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date. In the meantime municipalities are advised to use the NERSA's guided 0.31 per cent bulk tariff increase when compiling their budgets. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

Municipalities must note that the free basic services subsidy provided for in the local government equitable share were informed by the 8 per cent bulk tariff increase previously approved for the current Multi-Year Price Determination period. The equitable share allocations were tabled on 22 February 2017 in the Division of Revenue Bill, 2017. If a lower electricity bulk tariff is tabled for 2017/18 this will be offset in the calculation of the free basic services subsidy for equitable share allocations for 2018/19. This means that municipalities will have to budget to retain any surplus funds from the higher free basic services subsidy paid in 2017/18 in order to offset the cost of providing free basic electricity in 2018/19.

4. Funding choices and management issues

Municipalities should carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Once again, approving tariffs that are less than the associated cost of providing the services will negatively impact the financial sustainability of municipalities.

4.1 Employee related costs

The South African Local Government Bargaining Council entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- *2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*

The previous years were:

- *2015/16 Financial Year – 7 per cent*
- *2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent*

4.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

5. Conditional Grant Transfers to Municipalities

5.1 Unspent Conditional Grants for 2016/17

In addition to the requirements outlined in the previous MFMA Circulars regarding unspent conditional grants, municipalities must know that the National Treasury uses the pre-audited Annual Financial Statements (AFS) to determine the unspent conditional grants. The decision is made based on the pre-audited AFS. Therefore, there will not be a review of the unspent conditional grants once the audited AFS are available. It is therefore imperative that municipalities ensure that there is completeness in reported figures on the pre-audited AFS.

Following the determination of unspent conditional grants to be surrendered to the National Revenue Fund, where municipalities fail to repay the unspent allocations and will not be able to withstand the impact of the offsetting of unspent allocations from their equitable share in one instalment, municipalities have an opportunity in terms of section 22 (5)(b) (ii) and (iii) to propose an alternative means acceptable to National Treasury by which the unspent allocations will be paid into the National Revenue Fund or to propose an alternative payment schedule (repayment arrangement).

Municipalities who intend to exercise the above option are encouraged to inform the National Treasury within 14 days upon receipt of the letter informing them of the unspent conditional grants to be repaid into the National Revenue Fund. Requests for repayment arrangements following the lapse of the 14 days will not be considered. The repayment arrangement is limited to a maximum of three installments, whereby municipalities can repay unspent allocations into the National Revenue Fund.

6. The Municipal Budget and Reporting Regulations

National Treasury has released Version 6.1 of Schedule A1 (the Excel Formats) which is aligned to version 6.1 of the *m*SCOA classification framework which must be used when compiling the 2017/18 MTREF budget. This version incorporates major changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2017/18 MTREF budget.

Download Version 6.1 of Schedule A1 by clicking HERE

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at: http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za

KwaZulu-Natal	Bernard Mokgabodi Johan Botha	012-315 5936 012-315 5171	Bernard.Mokgabodi@treasury.gov.za Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach Sifiso Mabaso	012-315 5700 012-315 5952	Una.Rautenbach@treasury.gov.za Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja Anthony Moseki	012-315 5663 012-315 5174	Jordan.Maja@treasury.gov.za Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt Mandla Gilimani	012-315 5830 012-315 5807	Willem.Voigt@treasury.gov.za Mandla.Gilimani@treasury.gov.za
North West	Sadesh Ramjathan Makgabo Mabotja	012-315 5101 012-315 5156	Sadesh.Ramjathan@treasury.gov.za Makgabo.Mabotja@treasury.gov.za
Western Cape	Templeton Phogole Vuyo Mbunge Kevin Bell	012-315 5044 012-315 5044 012-315 5725	Templeton.Phogole@treasury.gov.za Vuyo.Mbunge@treasury.gov.za Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lgdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations. In addition to the above compliance check, the *m*SCOA data strings will be assessed to determine whether the municipalities are compliant.

The National Treasury herewith emphasises that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***they will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations. In addition, where municipalities have tabled an unfunded budget, they will be required to correct the budget to ensure that a funded budget is adopted and implemented.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

> The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. D schedules must be submitted for each entity.

7. Budget process and submissions for the 2017/18 MTREF

7.1 Budgeting for the audited years on the A schedule (*m*SCOA)

According to international best practices, it is appropriate to reclassify historical information in line with the changes that occur in the Standard Chart of Accounts. However considering our

own circumstances and the technical capability of smaller municipalities, it is proposed that municipalities disclose audited and the current years' (2016/17) information using version 2.8 of the A schedule. In relation to the 2017/18 MTREF municipalities must use version 6.1 of the A schedule. By implication two separate schedules must be submitted.

The amalgamated municipalities must not complete the audited years because they are new institutions that existed after the Local Government elections in August 2016, therefore they do not have the audited figures. As a result of that, there will not be verification of audited years for the pre-amalgamation municipalities. They are required to submit the current year (2016/17) and the 2017/18 MTREF budgets.

7.2 Submitting budget documentation and schedules for 2017/18 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2017, the final date of submission of the electronic budget documents and corresponding electronic returns is **Monday, 03 April 2017.** This includes the submission of the *m*SCOA data string. The deadline for submission of hard copies including council resolution is **Friday, 7 April 2017.**
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury ***within ten working days*** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2017, the final date for such a submission is **Friday, 14 July 2017**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.1) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft service delivery standards;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- schedules D, E and F specific for the entities; and
- the budget locking certificate.

Municipalities are required to send electronic versions of documents and the A1 schedule to lgdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lgbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents	*For posted documents*
Ms Linda Kruger	Ms Linda Kruger
National Treasury	National Treasury
40 Church Square	Private Bag X115
Pretoria, 0002	Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 31 March 2017 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

7.3 Budget reform returns to the Local Government Database for publication

Municipalities are required to continue to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. All returns are to be sent to lgdatabase@treasury.gov.za. Municipalities must submit returns for both the tabled budget and the final adopted budget as this will assist the National and provincial treasuries with the annual benchmark process.

In addition, municipalities must submit the *m*SCOA compliant data strings to the LG Upload Portal. National Treasury will continue with parallel reporting from municipalities until it is satisfied that all municipalities are *m*SCOA compliant and reporting adequately to support all publications.

The current electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

7.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, http://mfma.treasury.gov.za/Pages/Default.aspx. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

7.5 The use of private emails for business purposes

There are municipalities that use private email addresses for business purposes (e.g. Gmail). For the purpose of the implementation of *m*SCOA the Local Government Database requires municipalities to update their contact details and provide official email addresses instead of private. Therefore municipalities must follow the process of ensuring that their Information and Communication Technology infrastructure can accommodate official email addresses. Further requirements will be issued in this regard.

Contact

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post	Private Bag X115, Pretoria 0001
Phone	012 315 5009
Fax	012 395 6553
Website	http://www.treasury.gov.za/default.aspx

JH Hattingh
Chief Director: Local Government Budget Analysis
08 March 2017

Annexure A – Changes to Schedule A1 – the 'Excel formats'

As noted above, National Treasury has released Version 6.1 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet	Amendment	Reason
1	A2 and A2A	Changed reference to "Standard Classification" to functional classification and included detailed functional classification.	Align to version 6.1 of *m*SCOA classification framework
2	A4, SA2 and SA25	Deleted "Property rates – penalties and collection charges". Changed description for fines to "Fines, penalties and forfeits".	Align to version 6.1 of *m*SCOA classification framework
4	A5	Changed reference to "Standard Classification" to functional classification	Align to version 6.1 of *m*SCOA classification framework
5	A7 and SA30	Changed description for "property rates, penalties and collection charges" to property rates	Align to version 6.1 of *m*SCOA classification framework
6	A9	Changed breakdown of asset categories to align to CDIMS. Added a section on Upgrading of Existing Infrastructure.	Align to version 6.1 of *m*SCOA classification framework
8	SA3	Changed descriptions for "Call deposits < 90 days" and "Other current investments > 90 days" to exclude "< > 90 days".	Align to version 6.1 of *m*SCOA classification framework
9	SA17	Changed description of "Long-Term Loans (annuity/reducing balance)" to Annuity and Bullet Loans.	Align to version 6.1 of *m*SCOA classification framework
11	SA34(a-d)	Changed breakdown of asset categories to align to CDIMS.	Align to version 6.1 of *m*SCOA classification framework
12	SA34e	Added a table on Upgrading of Existing Infrastructure.	Align to version 6.1 of *m*SCOA classification framework
13	SA38	Added a table on operating expenditure projects	Align to version 6.1 of *m*SCOA classification framework

Eastern Cape: Sundays River Valley Municipality(EC106) - Draft Schedule of Service Delivery Standards Table 2018

Description Standard	Service Level
Solid Waste Removal	
Premise based removal (Residential Frequency)	Once per week
Premise based removal (Business Frequency)	Twice per week
Bulk Removal (Frequency)	Not applicable
Removal Bags provided(Yes/No)	One bag per household per week
Garden refuse removal Included (Yes/No)	Yes, is included
Street Cleaning Frequency in CBD	Everyday
Street Cleaning Frequency in areas excluding CBD	Bi-monthly and when need arises
How soon are public areas cleaned after events (24hours/48hours/longer)	24 hours
Cleaning of illegal dumping (24hours/48hours/longer)	Longer
Recycling or environmentally friendly practices(Yes/No)	Yes, by an independed company
Licenced landfill site(Yes/No)	Yes, all three licensed
Water Service	
Water Quality rating (Blue/Green/Brown/N0 drop)	Blue
Is free water available to all? (All/only to the indigent consumers)	Yes
Frequency of meter reading? (per month, per year)	per month
Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	12 months
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	3 months
Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)	
One service connection affected (number of hours)	2 hours
Up to 5 service connection affected (number of hours)	4 hours
Up to 20 service connection affected (number of hours)	4-8 hours
Feeder pipe larger than 800mm (number of hours)	24 hours
What is the average minimum water flow in your municipality?	
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	Yes
How long does it take to replace faulty water meters? (days)	2 days
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	Yes
Electricity Service	
What is your electricity availability percentage on average per month?	2005 kva
Do your municipality have a ripple control in place that is operational? (Yes/No)	No
How much do you estimate is the cost saving in utilizing the ripple control system?	N/A
What is the frequency of meters being read? (per month, per year)	per month
Are estimated consumption calculated at consumption over (two month's/three month's/longer period)	12 months
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	3 months
Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	one day
Are accounts normally calculated on actual readings? (Yes/no)	Yes
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	No
How long does it take to replace faulty meters? (days)	5 days
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	Yes
How effective is the action plan in curbing line losses? (Good/Bad)	Good
How soon does the municipality provide a quotation to a customer upon a written request? (days)	5 days
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	25 days
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	25 days
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	60 days
Sewerage Service	
Are your purification system effective enough to put water back in to the system after purification?	N/A - not recycling for human consumption
To what extend do you subsidize your indigent consumers?	100 per cent
How long does it take to restore sewerage breakages on average	
Severe overflow? (hours)	96 hours
Sewer blocked pipes: Large pipes? (Hours)	72 hours
Sewer blocked pipes: Small pipes? (Hours)	24 hrs
Spillage clean-up? (hours)	8 hours
Replacement of manhole covers? (Hours)	2 weeks
Road Infrastructure Services	
Time taken to repair a single pothole on a major road? (Hours)	96 hours
Time taken to repair a single pothole on a minor road? (Hours)	96 hours
Time taken to repair a road following an open trench service crossing? (Hours)	month for soil to settle- work 96 hours
Time taken to repair walkways? (Hours)	96 hours
Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	one month
Do you have any special rating properties? (Yes/No)	Yes
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	Yes
Are there Council adopted business process tsructuing the flow and managemet of documentation feeding to Trial Balaince?	Yes
How long does it take for an Tax/invoice to be paid from the date it has been received?	90 days
Is there advance planning from SCM unit linking all departmental plans quaterly and annualy including for the next two to three years procurement plans?	No
Administration	
Reaction time on enquiries and requests?	24 hrs
Time to respond to a verbal customer enquiry or request? (working days)	2 days
Time to respond to a written customer enquiry or request? (working days)	3 days
Time to resolve a customer enquiry or request? (working days)	2 days
What percentage of calls are not answered? (5%,10% or more)	5
How long does it take to respond to voice mails? (hours)	N/A
Does the municipality have control over locked enquiries? (Yes/No)	No
Is there a reduction in the number of complaints or not? (Yes/No)	Yes

How long does in take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	A week
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	ad hoc basis (as and when need arrives) (once a week)
Community safety and licensing services	
How long does it take to register a vehicle? (minutes)	Five (5) minutes
How long does it take to renew a vehicle license? (minutes)	Five (5) minutes
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	Ten (10) minutes
How long does it take to de-register a vehicle? (minutes)	Ten (10) minutes
How long does it take to renew a drivers license? (minutes)	Fifteen (15) minutes
What is the average reaction time of the fire service to an incident? (minutes)	Fifteen (15) minutes
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	N/A (Provincial function)
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A (Provincial function)
Economic development	
How many economic development projects does the municipality drive?	9
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	3
What percentage of the projects have created sustainable job security?	22
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	Yes
Other Service delivery and communication	
Is a information package handed to the new customer? (Yes/No)	No
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes
Are customers treated in a professional and humanly manner? (Yes/No)	Yes

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget

The 2017/18 MTREF Budget preparation commenced in August 2016 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). Sections 1.8 and 1.9, present an overview of the Operating and Capital Budgets respectively, with high level tables, which provide an overall picture of the Municipality's finances.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 1 illustrates the link between the IDP and Budget.

2.2 FINANCIAL MODELLING

As part of the compilation of the 2017/18 MTREF extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 86 has been taken into consideration in the planning and prioritisation process

2.3 FREE BASIC SERVICE

The municipality is currently working with ward committees, in terms of improving its Indigent register updates and Management of Indigent. Currently the municipality provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) Kilowatts of electricity per property per month to registered households will apply.
- Refuse Removal: A subsidy, not more than the applicable tariff for the 2017/18 financial year, will be applied for the duration of the financial year.
- Sanitation: A subsidy, not more than the applicable tariff for the 2017/18 financial year, will be applied for the duration of the financial year.
- Water: A subsidy of 6 Kilolitres of water per property per month to registered households will apply.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Review of credit control and debt collection procedures/policies

The credit control and debt collection policies as approved by Council in 2016 has been reviewed. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt, applying fixed interest instead of prime plus one for outstanding debt of customers.

In addition emphasis has to be placed on speeding up the indigent registration approval by Council prior to the final 2017/18 Annual Budget and MTREF process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

This policy is being reviewed and an amended policy will be given for extensive consultation by Council

Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

This policy is being reviewed and an amended policy will be given for extensive consultation by Council

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2016 has been reviewed. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on. Amendments are made in terms of National Treasury Regulations and changes within SCM

All budget or financial policies for finance which will be presented to Council for consultative purposes prior to approval of the final budget.

Tariff Policy

The Municipal Systems Act requires a municipality to have a tariff policy. One of the challenges in setting tariffs is ensuring affordable tariffs whilst maintaining financial stability.

The tariff policy tries to address this issue and creates a foundation for the principles that address social, economic and financial imperatives that the process of tariff setting should take into account.

Changes proposed: None

Rates policy

Sundays River Valley has adopted a rates policy which is line with legislative requirements. The policy became effective 01 July 2016.

The policy provides that properties be rated based on their market value. The valuation roll is still valid for one year.

Changes proposed: None

Indigent Policy

This policy was reviewed and approved during the 2015/2016 financial year.

Sundays River Valley municipality is committed to ensure that all households have access to its services. Due to the fact that Sundays River Valley Municipality has a high level of unemployment and seasonal workers, the municipality decided to adopt an indigent policy. This policy will ensure that poor households have at least access to basic services.

Changes proposed: None

Banking and Investment policy

As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cashflow management program.

Changes proposed: None

Policy on the writing off of irrecoverable debt

Despite strict enforcement of the credit control and indigent policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the Credit Control Policy, inter alia, stipulated that:-
The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.
In addition, the policy further stipulates that:-
The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalized.

Changes proposed: None

Financial management policy

This policy incorporates amongst others regulations relating to:

- General budgeting principles and processes
- Levying of tariffs, fees and charges
- Collection and control of income
- Operating expenditure
- Capital expenditure
- Creditors and payments
- Salaries & Wages
- Petty Cash
- Asset management
- Investments
- Risk management and Insurance
- Loans

Changes proposed: None

It should be noted that these policies are being reviewed but have not been work shopped to Councillors accordingly

2.5 BUDGET STRATEGY & ASSUMPTIONS

Budget Strategy

The following guidelines were used to compile the 2017/18 to 2019/20 Operating and Capital budgets:

(a) That the annual increases for the 2017/18 to 2019/20 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:

- The overall increase in operating expenditure is based on the projected CPIX of 6, 4%.
- The overall increase in employee related costs be aligned to finalized agreement by the SALGBC at 6,4% plus 1 and make provision for critical posts to address service delivery targets
- Bulk purchases increase as per ESKOM and NERSA guidelines of 8 %
- Rates and tariff escalations be limited to 6.4%

Budget assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.
The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

2.6 FUNDING OF THE BUDGET

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

On-going issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid -term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of funded mandates; e.g. Disaster management and Library Services;
- Improving on current collection rates especially household debt

QUALITY CERTIFICATE

I, Thembekile Machelesi, Acting Municipal Manager of Sundays River Valley municipality, hereby certify that the draft annual budget 2017/18 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the municipality.

T. MACHELESI

ACTING MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY – EC106

....

SIGNATURE

DATE: 29 March 2017

Sundays River Valley
Municipality
Masipala
Munisipaliteit

P.O. Box 47
Kirkwood
6120
(042) 230 7700
(042) 230 1799
srvm@srvm.gov.za

Ons verw. / Our ref:
Isalathiso sethu: 3/2/2/1

U verw. / Your ref:
Isalathiso sakho:

EXTRACT FROM THE MINUTES OF AN ORDINARY COUNCIL MEETING HELD ON 30 MARCH 2017

APPROVAL OF DRAFT BUDGET FOR THE 2017/18, 2018/19 AND 2019/20 FINANCIAL YEARS

1. That in terms of the section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the Sundays River Valley Municipality for the financial year 2017/18; and indicative allocations for the two projected outer years 2018/19; and 2019/20; and the multi-year and single-year capital appropriations are approved as set-out in the following tables:

   1.1. Budgeted Financial performance (revenue and expenditure by municipal vote and standard classification);
   1.2. Budgeted Financial performance (revenue and expenditure by municipal vote);
   1.3. Budgeted Financial performance (revenue by source and expenditure by type); and
   1.4. multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

2. That the financial position, cash flow, cash backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:

   1.1. Budgeted Financial position;
   1.2. Budgeted Cash Flows;
   1.3. Cash backed reserves and accumulated surplus reconciliation;
   1.4. Asset management; and
   1.5. Basic service delivery measurement.

3. That in terms of Section 42(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by sources, are approved with effect from 1 July 2017.

4. That the draft budget be approved subject to the proposals made by the Mayor to be considered in the final budget.

.... 5 APRIL 2017

FOR T MACHELESI
ACT MUNICIPAL MANAGER